UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/C.10/1991/10
7 March 1991

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Seventeenth session
New York, 10-19 April 1991
Item 8 of the provisional agenda*

# TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA

Report prepared by the United Nations Centre on
Transnational Corporations

SUMMARY

Disinvestment from South Africa continued in 1990, at a slow pace. With significant steps in the right direction being taken by South Africa, the call for new economic sanctions was put on hold, and there were no new pressures for corporations to divest. Most Governments maintained existing measures, and in instances where sanctions have been relaxed, there has as yet been no reinvestment. By and large, a "wait-and-see" attitude characterizes the activities of transnational corporations and of many of their home Governments.

On other fronts, South Africa's burden of heavy capital outflows, required to repay the foreign debt, has been relieved somewhat by both a rising trade surplus and the 1989 rescheduling agreement. But the economy is currently in recession, and the lack of foreign funds for investment is hurting. In a post-apartheid era, however, implementation of a key challenge will be the effective training programmes for black South Africans.

* E/C.10/1991/1.

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## INTRODUCTION

1. The process of change commenced in South Africa in 1990. The year began with the release of African National Congress (ANC) leader Nelson Mandela, the lifting of the ban on political organizations and a partial lifting of the state of emergency, which later ended throughout the country. Preliminary discussions between the ANC and the South African Government have since laid the groundwork for the beginning of negotiations. Significant agreements were made in February 1991 concerning the release of political prisoners and the return of political exiles without conditions. The South African Government is, thus, undertaking some of the steps envisaged by the Declaration on Apartheid and its Destructive Consequences in Southern Africa, adopted by the General Assembly in its resolution S-16/1, regarding the creation of a climate in which free political activity can take place. This can pave the way for future negotiations on a new constitution and the establishment of a united and non-racial society in South Africa. At this stage, however, negotiations have not begun nor have any agreements been reached on the appropriate mechanisms to draw up a new constitution.

2. Since February 1990, the South African Government has undertaken other measures designed to remove the more pernicious aspects of the apartheid system. In May 1990, the Minister for National Health and Population Development proclaimed the integration of provincial public hospital facilities. In June Parliament repealed the Reservation of Separate Amenities Act, with effect from 15 October 1990. Furthermore, some schools for whites were desegregated on a voluntary basis in January 1991. While these initiatives represent important signposts towards the abolition of apartheid, their implementation has met with difficulty, in particular due to the opposition posed by some white conservative municipalities. At the opening of Parliament on 1 February 1991, President Frederik Willem de Klerk announced that the Group Areas Act and the Land Acts would be repealed during the 1991 session of Parliament and that the Population Registration Act would be amended, with a view to its eventual repeal. In addition, the National Party is now open to South Africans of all races.

3. An issue of concern remains the continuing violence prevailing throughout South Africa, the source of which continues to be a matter of intense debate. Calls have been made on the South African Government to use effective mechanisms to control the violence and to ensure that the security forces and the judiciary carry out their duties in an impartial manner. The ongoing political process in South Africa may not always be smooth. There is no doubt that a process of change as complex as the one that South Africa is entering into will give rise to a dynamic debate on the future of the country. The legacy of apartheid has made South Africa a violent society in which a tradition of democratic debate, or a culture of human rights, does not yet exist. However, open debate is essential since it can help define not only the basic aspects of a post-apartheid society but also the incipient elements of a free democratic system. Agreements made, therefore, between the ANC and the Inkatha Freedom Party and the ANC and the Pan-Africanist Congress of Azania constitute positive steps in this ongoing process of change.

4. The positive developments outlined above have elicited changes in the attitudes and actions of some members of the international community. Although the General Assembly has recognized that changes have taken place in South Africa, it has, nevertheless, pointed out that some of the apartheid structures remain. It has, therefore, reaffirmed its commitment to maintaining pressure on South Africa until profound and irreversible changes have occurred in that country, in accordance with the provisions of the Declaration on Apartheid.

5. The present report reviews current measures relating to the activities of transnational corporations in South Africa. Their impact on the South African economy is also reviewed, by way of an update of recent trends in investment, trade and finance. Finally, in line with the recommendations of the Panel of Eminent Persons, which conducted the second Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia (Geneva, 4-6 September 1989) and at its sixteenth session, section III of the present report of the Commission on Transnational Corporations, prepared by the Centre on Transnational Corporations, consists of a preliminary discussion of training, including the involvement of transnational corporations in educational programmes and on-the-job training for black South Africans.

## I. CURRENT MEASURES

6. Overall, since the report of the Centre on Transnational Corporations to the last session of the Commission, there has been almost a total absence of new restrictive measures taken by the international community on South Africa. One initiative was the adoption, on 14 December 1989 at the sixteenth special session of the General Assembly, of resolution S-16/1, which contained the Declaration on Apartheid and Its Destructive Consequences in Southern Africa. During its reconvened session in September 1990, the General Assembly, in resolution 44/244, called upon "all Governments and intergovernmental organizations to adhere strictly to the programme of action ... by maintaining existing measures aimed at encouraging the South African regime to eradicate apartheid until there is clear evidence of profound and irreversible changes, bearing in mind the objectives of the Declaration". Two months later, on 19 December 1990, the Assembly adopted resolution 45/176, an omnibus resolution which incorporated a number of points that had eluded agreement for decades. It called on Governments to employ "concerted and effective measures, particularly in the areas of economic and financial relations", to bring about the end of apartheid in South Africa.

7. The Commonwealth Committee of Foreign Ministers on Southern Africa (CFMSA), at its meeting in Abuja, Nigeria, in May 1990, adopted the Abuja Commitment, in which it reiterated that "to relax sanctions would prejudice seriously the objectives of successful negotiations. Sanctions must remain until there is clear evidence of irreversible change". 1/ In response to President de Klerk's address to Parliament, mentioned in paragraph 2 above, the Committee, meeting in London on 16 February 1991, recommended that sanctions be maintained until the Government of South Africa translated into concrete action its promises to dismantle apartheid. The Committee decided to convene in New Delhi on 30 April 1991 to assess the situation in South Africa. In Finland in March 1990, the Nordic countries

reaffirmed their commitment to maintain the embargoes they had placed on shipments of certain matériel to South Africa.

8. In June 1990 the European Parliament adopted - with a majority vote of more than 75 per cent - a strongly worded resolution on sanctions policy which countered the idea of partial or phased relaxation of European Community (EC) sanctions and called on the EC Council of Ministers to ensure that all sanctions, including those of the EC and its member States in the economic, cultural and social spheres, be continued and implemented until apartheid was completely and irrevocably abolished. The semi-annual meeting of Government Heads of the European Community, on 24 and 25 June 1990, at Dublin, Ireland, reconfirmed the decision of December 1989 that the EC and its member States would not relax sanctions. The Council would, however, consider a gradual relaxation of pressure when there was clear evidence that the process of change was continuing.

9. Six months later, the European Community, at its meeting at Rome on 15 December 1990, decided that as soon as the Government of South Africa had taken action to repeal the Group Areas Act and the Land Acts, the Community and its member States would proceed to ease the set of measures adopted in 1986. In order to encourage further reforms, the Community agreed at that time to lift its ban on new investment in South Africa. The United Kingdom had already lifted its ban in February 1990, and a majority of the Dutch Parliament agreed in September 1990 that new investment by Dutch companies should be permitted in the near future.

10. In October 1990, the President introduced in the United States Congress a report pursuant to the Comprehensive Anti-Apartheid Act of 1986, which stated that although steps taken thus far by the South African Government had met some conditions set out in the Act and might meet others in the future, before sanctions could be modified, suspended or lifted, certain statutory conditions had to be fulfilled, including the release of all political prisoners, the lifting of the state of emergency and the ban on democratic political groups, the repeal of the Group Areas Act and the Population Registration Act, and the agreement to enter into good-faith negotiations, without preconditions, with representatives of the black community. Conversely, if those conditions should be met, additional obstacles should not be placed in the way of lifting sanctions.

11. Over the past year there also appears to have been a paucity of new restrictive measures enacted by Governments. In September 1990, the United Nations canvassed Member States in a note verbale which requested information on any measures, including sanctions, adopted since August 1989. As of February 1991, 11 countries had replied: Austria, Bahamas, Byelorussian SSR, Canada, Cyprus, Norway, Pakistan, Qatar, Sweden, USSR and United Arab Emirates. The responses reiterated the commitment to sanctions until the abolition of apartheid had been achieved.

12. On 20 July 1990, the Canadian Ministry of External Affairs issued a Notice to Importers (No. 395) concerning shipments of arms from South Africa, to the effect that, from 25 April 1990, all such imports defined in Item 90 of the Canadian Government's Import Control List as belonging to Group 2 of its Export Control List would require permits.

13. Correspondence from Norway and Sweden mentioned the declaration and communiqué on South Africa issued by the Nordic Foreign Ministers' meeting at Molde, Norway, on 11 and 12 September 1990. While noting the commencement of significant, positive changes in South Africa and anticipating profound alterations in that country's system of government, the Nordic countries pointed out that the basic foundations of apartheid were still in place and that, consequently, their policy towards South Africa would continue to be based on the 1988 Nordic Programme of Action, which advocated the maintenance of pressure on the Government of South Africa until there was clear evidence of profound and irreversible change.

14. The Government of Cyprus, through that country's Central Bank, has adopted and implemented a policy which bars any business concern operating in South Africa from establishing an offshore company or investing directly in Cyprus.

## II. THE SOUTH AFRICAN ECONOMY AND SANCTIONS

15. In the 10-year period up to 1972, South Africa's GDP grew at an average rate of 5.5 per cent per annum. In the next 10-year period up to 1982, GDP registered a growth rate below 3 per cent. Since 1982 growth has fluctuated, as shown in table 1, but with the exception of 1984, it has remained below the average for the preceding 10-year period and well below the 5 per cent per annum rate necessary simply to keep pace with population growth and absorb new entrants into the labour market. This deteriorating performance can be attributed to several factors: internal, including the apartheid system; and external, including sanctions and the generally adverse international economic environment of recent years. Isolating the effect of sanctions is not easy, but according to one estimate, GDP is 20-35 per cent smaller than it would have been without sanctions. 2/

16. The economy is currently in recession, with 0 GDP growth estimated for 1990-1991. The Government is committed to lowering inflation in the next two years, but that would not bring about faster economic growth. 3/ Any stimulus would therefore need to come from abroad. This section reviews trends in foreign investment, trade and bank finance. The general conclusion is that the external constraints, while by no means favourable, have been relieved somewhat by the slowdown in new disinvestment, a rising trade surplus and the 1989 debt rescheduling agreement.

Table 1. South Africa's gross domestic product

| Years | Percentage |
|---|---|
| 1962-1972 | 5.5 |
| 1972-1982 | 3.0 |
| 1982 | -0.8 |
| 1983 | -2.1 |
| 1984 | 5.1 |
| 1985 | -1.2 |
| 1986 | 0.3 |
| 1987 | 2.1 |
| 1988 | 3.7 |
| 1989 | 2.1 |
| 1990 | -0.5 a/ |
| 1991 | 0.5 a/ |

Sources: Economist Intelligence Unit, Country Profile: South Africa, 1990-1991, p. 20, and South Africa: Country Report, No. 4 (1990), p. 6.

a/ Estimated.

## A. Investment

17. Direct investment by transnational corporations has continued to play a decreasing role as a source of capital for the South African economy. Although year-to-year fluctuations in the flow of foreign direct investment are not very meaningful because they are affected by changes in inflation and exchange rates, table 2 presents the long-term trend. In the case of Canada, Germany and the United States, their stock of investment for the most recent years for which data are available has declined when compared to their highs, reached sometime in the period 1981-1983. For the United Kingdom, 1987 was the first year when its foreign direct investment flows to South Africa declined. More recent data, which are not yet available, would probably show a continuing decline in these flows.

Table 2. Stocks and flows of foreign direct investment in South Africa, reported by major home country, 1981-1989

(Millions)

| | United Kingdom | | United States | | Germany | | Canada |
|---|---|---|---|---|---|---|---|
| | Stock | Flow a/ | Stock | Flow | Stock | Flow | Stock |
| | (Pounds) | | (US$) | | (Deutsche mark) | | (Canadian $) |
| 1981 | 1 786.7 b/ | 291.6 | 2 619 | | 1 861 | 56.4 | 257 |
| 1982 | .. | 194.4 | 2 281 | 45 | 2 095 | 64.7 | 218 |
| 1983 | .. | 296.0 | 1 987 | -217 | 2 484 | 259.6 | 185 |
| 1984 | 2 725.00 | 120.3 | 1 440 | -548 | 2 035 | 171.2 | 139 |
| 1985 | .. | 199.0 | 1 394 | -73 | 1 182 | 137.9 | 105 |
| 1986 | .. | 91.0 | 1 517 | -50 | 1 366 | 231.5 | 184 |
| 1987 | .. | 46.0 | 1 497 | -97 | 1 664 | .. | .. |
| 1988 | .. | .. | 1 269 | -224 | 2 158 | .. | .. |
| 1989 | .. | .. | 714 | -409 | .. | .. | .. |

Sources: United States Department of Commerce, Survey of Current Business, August 1990 and various issues; United Kingdom, British Business, 11 March 1988; United Kingdom, Business Monitor MA4, Census of Overseas Assets, various issues (Her Majesty's Stationery Office); Germany, Runderlass Aussenwirtschaft (Ministry of Economics), various issues, and monthly report of the Deutsche Bundesbank, various issues; Statistics Canada, Canada's International Investment Position, and information supplied by Statistics Canada.

a/ Excluding oil for the period 1973-1983.

b/ Excluding oil, banks and insurance.

18. The trend towards disinvestment in South Africa since 1985 is corroborated by data on the number of disinvesting firms compiled by the United Nations. By 15 January 1991, approximately 632 transnational corporations based in various countries and operating in South Africa had disinvested (see table 3). Disinvestment, in terms of corporate withdrawals, has been most pronounced in the case of the United States: roughly 60 per cent of its firms have disinvested since 1985; however, one of every three departing companies has maintained non-equity ties in South Africa. The United Kingdom ranks second in disinvestment, with roughly 20 per cent of its firms having disinvested; this percentage is significant in terms of total disinvestment, since as estimated 40 per cent of foreign investment in South Africa is United Kingdom-based. Companies based in Germany 4/ have disinvested a much lower proportion of their operations.

Table 3. Transnational corporations that have disposed of their equity interests in South Africa, by country, as of 15 January 1991

| Country | Number of corporations | Non-equity interests |
|---|---|---|
| Australia | 22 | 4 |
| Austria | 2 | -- |
| Belgium | 5 | 4 |
| Canada | 32 | 5 |
| Denmark | 2 | -- |
| Finland | 2 | -- |
| France | 11 | 5 |
| Germany | 39 | 13 |
| Ireland | 2 | -- |
| Italy | 6 | 2 |
| Luxembourg | 1 | -- |
| Netherlands | 10 | 2 |
| New Zealand | 3 | -- |
| Norway | 3 | -- |
| Sweden | 9 | 2 |
| Switzerland | 10 | 4 |
| United Kingdom | 144 | 13 |
| United States | 329 | 141 |
| Total | 632 | 194 |

19. The peak year of disinvestment for the United Kingdom and the United States was 1987. In that year 69 United Kingdom companies withdrew, amounting to half of their total withdrawals since 1984; 232 United States companies withdrew in that year, which amounts to about two thirds of their cumulative withdrawals. In the case of Germany, the peak year was 1988, with 21 withdrawals, amounting to about two thirds of its total withdrawals. More recently, the pace of disinvestment seems to have abated, with 42 United States-based companies, 31 United Kingdom-based companies and 21 Germany-based companies disinvesting in 1988. In 1989, only 22 United States-based firms, 7 United Kingdom-based firms and 1 Germany-based firm disinvested.

20. The decision of the European Community on 15 December 1990 to lift the ban on new corporate investments in South Africa raised the question whether and under what conditions transnational corporations would step up or renew their investment in South Africa in the near future. An initial survey of United States-based transnational corporations indicates that companies that have previously disinvested from South Africa are not likely to consider reinvestment after a possible abolition of investment restrictions, stating the low returns over the last years and negative experiences encountered during the disinvestment process. 5/ Former corporate investors that have relocated their investments to neighbouring countries in southern Africa also seem reluctant to resume their operations in South Africa, taking into consideration the consequences on employment and the impact on the economy of new host countries like Swaziland and Lesotho. The most important reason, however, especially for new investors, is the prospect of limited economic growth in South Africa in the current transition period, which makes the country far less attractive for investment than in the past or than in other regions today.

21. On the other hand, European transnationals, which traditionally had a larger share of their overall investment in South Africa, and some Asian transnational corporations already seem to be preparing the ground for new investments. According to the South African Ministry of Trade and Industry, 4.5 billion rand of new investments are expected in the automobile industry. 6/ In addition, a number of German and Dutch transnationals which have maintained their operations are now negotiating with their national and South African trade unions the conditions under which they would be expected to continue their operations. Emphasis is being placed on the upgrading of social responsibility programmes and the strengthening of labour relations.

## B. Trade

22. The relative importance of South Africa's main trading partners has undergone significant shifts over the years. The United Kingdom, which in 1970 accounted for 29 per cent of South Africa's exports and 22 per cent of its imports, now accounts for less than 10 per cent. In 1989, according to OECD data which, however, cover only 55 to 65 per cent of all trade, Italy was the largest importer from South Africa, with $2.8 billion in imports. Germany was South Africa's largest exporter, with $3.2 billion in exports. (See table 4.)

Table 4. South Africa's main trading partners, 1988-1989 a/

(Millions of United States dollars)

| Imports by b/ | 1988 | 1989 |
|---|---|---|
| Italy | 2 180 | 2 779 |
| Japan | 1 956 | 2 058 |
| Germany | 1 727 | 1 693 |
| United States of America | 1 535 | 1 543 |
| United Kingdom | 1 456 | 1 454 |
| France | 708 | 755 |
| OECD total | 12 096 | 13 369 |
| EC total | 7 404 | 8 170 d/ |

| Exports by c/ | 1988 | 1989 |
|---|---|---|
| Germany | 3 331 | 3 258 |
| Japan | 2 047 | 1 744 |
| United Kingdom | 1 918 | 1 705 |
| United States of America | 1 692 | 1 672 |
| Italy | 601 | 673 |
| France | 581 | 562 |
| OECD total | 11 820 | 11 225 d/ |
| EC total | 7 416 | 7 125 d/ |

Source: OECD, Monthly Statistics of Foreign Trade.

a/ Data are calculated from monthly averages.

b/ Cif value at country of arrival, except United States.

c/ Fob value at point of departure.

d/ Based on 11 months' data.

23. The volume of South African products imported by other countries was 17 per cent higher in 1989 than in 1988. 7/ For purposes of comparison, the volume of world trade in 1989 expanded at approximately only 7 per cent. This favourable comparison is not unrelated to the mixed experience in the effectiveness of trade sanctions. Gold is by far the country's largest export, accounting for about 40 per cent of total exports. Machinery is the main category of imports, followed by transport equipment and chemicals.

1. Oil

24. The United Nations Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa stated in an interim report released in June 1990 that the frequency of port calls to South Africa by potential petroleum carriers is sufficient to indicate the probability of a serious loophole in the United Nations oil embargo. 8/ Trade in oil takes various forms, and not

all have been given legislative backing. Action against companies violating the embargo is infrequent; end-user certificates are not widely monitored; and penalties for violation are either weak or not imposed. As a result, oil has been flowing freely to South Africa, although at a premium cost. No official data are available, but according to evidence presented at the second Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia, the cost to the Government of South Africa of obtaining necessary oil supplies may run as high as $2 billion a year.

2. Coal

25. After gold, coal exports are South Africa's second largest foreign exchange earner. Most OECD countries have reduced their coal imports in recent years. In 1989, Spain and Italy were the largest European importers of South African coal, amounting to about 5 million tons each. 9/ Italian trade unions in the electricity-generating industry have met recently to formulate a programme to reduce South African coal imports. At the same time, several non-OECD countries have begun to import coal. Overall, South Africa's coal exports reached a record 47 million tons in 1989. 10/

3. Metals

26. South Africa is the world's largest producer of platinum-group metals, vanadium, chrome, ore and andalusite, and is among the world's top five producers of manganese, vermiculite, antimony, fluorspar, asbestos and titanium. As regards the import of these strategic and other minerals and base metals, it seems that existing measures have been rather effective, at least with South Africa's traditional trading partners. This is in spite of the fact that import restrictions in some countries exempt certain minerals which may be in short supply and can only be obtained from South Africa.

27. Overall, less than 1 per cent of the European Community's imports from South Africa are covered under the existing sanctions regime. 11/ Nevertheless, according to South Africa's Trust Bank, by the end of 1989 an estimated 8 billion rand of exports had been lost as a result of trade sanctions, most notably those on coal, iron and steel, and fruit. 12/

## C. Finance

28. South Africa was traditionally a net importer of capital until the 1985 debt crisis. Since 1985, it has had no choice but to run continuous current account surpluses to meet its foreign debt commitments and to curtail total demand. Economic growth averaged only 1.4 per cent between 1985 and 1989. However, it now appears that the generation of repeated large trade surpluses on the current account of the balance of payments to meet the heavy capital outflows arising from debt repayments may no longer be the overriding policy requirement, since the country's debt burden has been considerably eased.

29. At the end of 1989, the total outstanding debt burden was $20.6 billion, compared to $24 billion at the end of 1984. 13/ The real extent of repayment is even larger, as about $8 billion of the outstanding debt at the end of 1989 was denominated in non-dollar currencies - mainly, the Deutsche mark and the Swiss franc - which appreciated vis-à-vis the United States dollar. On a constant parity basis, the debt outstanding at the end of 1989 would have been only $18.2 billion. However, the dollar's relative decline since its peak in the mid 1980s has also increased the competitiveness of South African exports, mostly priced in dollars. As a result, the ratio of debt outstanding to total annual exports of goods and services has fallen from 128 per cent at the end of 1985 to 79 per cent at the end of 1989. 14/

30. In August 1985, the amount of debt inside South Africa's standstill net was $13.6 billion. It was down to $8 billion by the end of 1989 and had declined to $7.5 billion by the autumn of 1990. The three-and-a-half-year rescheduling agreement which South Africa negotiated at the end of 1989 and which runs from 1 July 1990 requires the country to repay $1.5 billion in eight tranches by the end of 1993. Another $12 billion was projected to remain outside the net; how much of that will mature in each of the next three years and be rolled over or replaced will determine the country's debt burden. It is expected that South Africa would have made net repayments of around $2 billion in 1990. This would require a current account surplus of nearly 6 billion rand (at an average exchange rate of R2.7 = $1), which is well within the capacity of the country to generate, in view of the strong export performance of the economy in 1989, as shown in table 5.

Table 5. South Africa's balance of payments, 1984-1989

(Millions of United States dollars)

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|
| Merchandise exports, fob | 8 746 | 9 186 | 10 969 | 12 353 | 13 848 | 15 097 |
| Net gold output | 7 918 | 6 940 | 7 322 | 8 740 | 8 634 | 7 339 |
| Merchandise imports, fob | -14 550 | -10 344 | -11 173 | -13 912 | -17 236 | -16 845 |
| Trade balance | 2 114 | 5 782 | 7 118 | 7 181 | 5 246 | 5 591 |
| Exports of services | 3 009 | 2 602 | 2 725 | 3 170 | 3 302 | 3 548 |
| Imports of services | -6 857 | -5 884 | -6 860 | -7 540 | -7 428 | -7 779 |
| Net transfer | 229 | 161 | 169 | 212 | 173 | 203 |
| Current account balance | -1 504 | 2 660 | 3 151 | 3 022 | 1 293 | 1 564 |
| Long-term capital | 1 737 | -220 | -1 340 | -834 | -463 | -468 |
| Short-term capital not related to reserves | -1 201 | -3 944 | -1 330 | -673 | -2 469 | -1 653 |
| Liabilities related to reserves | 367 | 930 | -1 000 | -573 | 847 | 1 090 |
| SDR allocations and valuation adjustments | 842 | 808 | 434 | 162 | 248 | -454 |
| Change in gross gold and other foreign reserves | 241 | 254 | -85 | 1 103 | -544 | 77 |

/...

## III. POST-APARTHEID SOUTH AFRICA: THE ROLE OF TRANSNATIONAL CORPORATIONS IN TRAINING

31. A post-apartheid government will likely have a wide electoral mandate for affirmative action in the fields of housing health care, education and skills training and for the rapid advancement of black South Africans in the public and private sectors. This section examines the role transnational corporations can play in training by helping black South Africans acquire the technical and managerial skills that will enhance their capacity to participate effectively in politics and the economy; and by helping to meet the growing demand for jobs. 15/ It will, of course, be the prerogative of a post-apartheid Government to determine the nature and scope of that role.

32. Over the past year, leading black organizations, as they debate how best to integrate the economy, have expressed expectations for corporations to train black South Africans for and advance them to high-level positions, to contribute to meeting the nation's housing and education needs and to increase the share of economic assets owned by Africans. Addressing foreign investors, Thabo Mbeki, ANC international affairs director, called for affirmative action and urged corporations to become aware of the country's development goals and the need to address inequalities in their investment decisions. 16/ The ANC urged the South African business community to accept the ANC principle of affirmative action as an instrument for achieving development, growth and equity to redress economic imbalances. 17/ The Pan-Africanist Congress also stressed the need for companies to "aggressively pursue" corporate social responsibility. 18/ Trade unions, whose negotiating strategies once focused primarily on wages and working conditions, are now emphasizing training programmes and advancement opportunities for their members.

33. Corporate responsibility programmes in South Africa have been implemented since 1976 under the various codes of conduct. Initially, those guidelines, drawn up by corporate headquarters or home-country Governments, focused on issues such as equal pay for equal work, desegregation of the work-place and recognition of trade unions. In the 1980s the Sullivan Code for United States transnational corporations emphasized three principles: black managerial advancement, community development and social justice. The most far-reaching code today, however, is the agreement between the National Union of Metal Workers of South Africa, NUMSA, and the German Metal Workers Union, IG-Metall, which was drawn up in 1988, listing 14 points related to the minimum levels of acceptable industrial relations and conditions under which subsidiaries of German companies should operate in South Africa. Notwithstanding the continued call for sanctions and disinvestment, the union movement emphasizes the need to control foreign direct investment in South Africa, not only in regard to the terms of exit but also the terms of entry and the conditions under which transnational corporations should operate in the country.

34. There is no consensus yet among the black organizations and the major corporations on the need to negotiate a code of conduct that would apply throughout South Africa. Initial discussions, however, seem to indicate that corporate social responsibility has to be based on a new set of principles developed within the country and to take into account the views of black leaders, trade unions and the local business community. Given South Africa's demographic prospects, the business

community will be expected to devote more resources and commitment to the education, training and development of black South Africans in the future. The African population is expanding at nearly 3 per cent per year, three times the rate of whites. By the year 2000 there will be 12 million more black South Africans, bringing the current total of 27.5 million (1989 population estimates, including independent homelands) to 41 million, and white South Africans will be outnumbered 10 to 1. 19/ Thus the point of departure for a discussion of a framework for future operations of TNCs must be corporate responsibility programmes that aim at structural change and development relevant to post-apartheid South Africa.

## A. Training needs

35. At present in South Africa a serious imbalance exists between education and training and the demands of the labour market inherent in the system of apartheid. There is a chronic shortage of skilled and semi-skilled workers. The Government's National Manpower Commission estimates the current shortage of mangerial, professional and technical workers at over 250,000. South Africa has 23,000 artisans in training when it should have 100,000. 20/ Most companies have claimed that over 30 per cent of their African staff are in clerical, supervisory or managerial positions; the majority of black South African employees, however, are still in posts at the lower end of the scale. 21/ Although black participation in all economic spheres has increased in recent years in terms of income share and consumer expenditure, as well as in the area of collective bargaining, 22/ this participation has not occurred in the entrepreneurial sector owing to lack of resources and training capacity and existing restrictions. In addition, in the 1980s employment in agriculture, mining and manufacturing did not grow at all; while there was an average annual increase of 230,000 new job-seekers on the market, only 80,000 new jobs had been created per year. 23/ For the year 2000, the economically active population is estimated at 17.9 million, with an expected 7.9 million unemployed. Current unemployment among black South Africans is estimated to be 19 per cent, almost half of them under 24, and underemployment is twice as high. 24/ In order to reduce unemployment and absorb new entrants into the labour market, the economy needs to grow by 5 per cent annually. Over recent years, the informal sector of the South African economy has emerged as the single largest generator of employment and is believed to account for 20 per cent to 40 per cent of GDP. Of the 350,000 people entering the job market every year, the proportion absorbed in the informal sector may be as high as 150,000, or 42 per cent, while about 100,000 enter the formal small-business sector.

36. Only now is the South African Government coming to grips with the task of compiling and disseminating adequate statistics to allow the long-term projection of training goals and target groups. Studies are under way to examine the participation of all racial groups in the different levels of the South African labour market and to determine the future training requirements a non-racial democratic government would have to cope with. One priority field of research lies in the examination of the role of appropriate institutions for human resource development and strategies to mobilize support throughout the international community for a post-apartheid South Africa in order to meet the educational and training needs of its society.

## B. The role of transnational corporations

37. At present, training activities of the approximately 600 transnational corporations currently operating in South Africa reach only a small fraction of the total work force, amounting to less than 200,000 workers. The on-the-job skills and management training programmes carried out by transnational corporations are mostly of a voluntary nature and are designed to meet the demands of each company's specific operations. Transnational corporations also provide funds for upgrading formal education and supporting entrepreneurship development programmes on a limited basis. In a canvass of 129 companies (many of them transnational corporations) conducted by the Institute of International Education in June 1990, 125 responded, citing a total of more than 3,500 initiatives by transnational corporations and the South African business community in more programme categories, including the fields of education, community and small-business development, literacy and health. 25/ Data available on United Nations transnational corporations indicate that 70 per cent of corporate responsibility contributions in South Africa have gone to education; 65 per cent of that supported tertiary education. 26/ Despite the reporting requirements under the various codes, no comprehensive data are available on training opportunities and the actual advancement of trained black South Africans, which makes it difficult to assess current transnational corporations training efforts.

38. Management development can facilitate black participation in politics and in the mainstream of the economy. It is also argued that management development may have, as a by-product, a major political role in the reduction of racial polarization. A step in this direction has been taken by transnational corporations operating in South Africa which subscribe to the various codes of conduct. Today, however, less than 5 per cent of all South African managers employed by white-owned companies are Asian, coloured and African. 27/ A forthcoming study by the Investor Responsibility Reseach Center on the performance of American transnational corporations under the existing code of conduct concludes that success in promoting Africans to managerial positions has been very limited. 28/ The lack of progress, aside from the socio-political restrictions stemming from the system of apartheid, is attributed to the lack of willingness and vision to formulate a long-term approach. Affirmative action by transnational corporations in management training would have to go beyond existing voluntary efforts to redress the imbalances created by apartheid.

39. Aside from management training, transnational corporations can be involved in other forms of training that foster the acquiring or enhancement of work skills. Skills training also includes topics such as training in the agricultural and industrial sectors, training of work seekers, the handicapped and unemployed persons, training for self-employment, training in the small business sector, training in labour relations, training of trainers, and management training. It is therefore difficult to assess the quantitative needs of skills training related to the activities of transnational corporations and the contributions they have made so far. The key actor in the field of skills training has been the South African Government. In recent years, however, individual employers and private training institutions have been encouraged to play a more active role in training. In 1987 there were 893 registered schemes managed by employers, including transnational

corporations, to train their employees. As stated earlier, owing to the relatively small workforce employed by transnational corporations, their contribution to skills training in South Africa is limited. However, transnational corporations are participating in the design of training guidelines and programmes of the Sectoral Industrial Training Boards and are contributing funds and expertise to South African training institutions.

40. The promotion of entrepreneurship, both in the formal and informal sectors, presents an additional opportunity for black advancement, beyond the enhancement of private- and public-sector employment. 29/ Indeed, given the demographic trend projected for the next 10 years the capability of Africans to assume self-employment, and consequently to create employment, must be enhanced. Although the South African Government has started to remove legal constraints to non-white business development, Africans participating in the formal sectors of the economy still face severe disadvantages. In recent years, transnational corporations, on an individual basis, have supported financial assistance programmes run by non-governmental organizations for African entrepreneurs or initiated subcontracting arrangements with small business enterprises. There have already been some successful efforts by the Get Ahead Foundation, the Small Business Development Corporation of South Africa, the Canadian Association for Black Businesses and the Canadian Export Association in bringing together black South African businessman and executives of larger companies and helping to open doors for South African black entrepreneurs. Such matchmaker programmes, though successful, are still very small relative to the demand of South African black entrepreneurs for assistance in starting up their companies.

41. Taking into particular consideration the growing urbanization of the black South African work force, entrepreneurship development will be an important factor in the creation of metropolitan jobs. Aside from the elimination of government regulations limiting black business activities, nascent black entrepreneurs will need technical and managerial know-how and financial resources to start and run their own businesses successfully. According to the Small Business Development Corporation of South Africa, more than 200,000 requests for assistance to entrepreneurial companies and existing non-white small businesses go unmet every year for lack of resources and training capacity.

## C. Entrepreneurship and management training

42. Should a post-apartheid Government in South Africa decide to involve transnational corporations more actively in the field of training and entrepreneurship development, programmes and guidelines will have to be designed in close consultation with the companies, the local business community and the trade unions. An effective training programme should allow transnational corporations the flexibility to concentrate efforts on their specific fields of expertise.

43. The broad aim of any comprehensive training programme would be to target the residual unemployed and equip them to enter the sector of the economy that would become critically short of labour in a post-apartheid society - the middle-sector managerial and vocational groups. What is needed is the phasing in and the adequate building up of senior personnel with the training, experience and

competence to rise to high-level management positions. This process should accomplish three goals: the training of skilled labour, the development of managerial skills and the fostering of entrepreneurship.

44. A well-designed, internationally supported programme, aimed at mobilizing the entrepreneurial spirit in South Africa and assisting black South Africans to set up their own enterprises and develop their managerial talents, could complement existing efforts, provide an instrument to actively involve local organizations, trade unions and transnational corporations, and stimulate new initiatives that may contribute to enhanced training of black South Africans. Such a programme has yet to come into being, but a feasibility study entitled "The potential role of transnational corporations in a comprehensive long-term training programme for a post-apartheid South Africa" and conducted by the United Nations Centre on Transnational Corporations suggests that it could include:

(a) Public/private sector institutional infrastructure bringing together local and international co-sponsors, universities, training institutes, bankers, local businesses and transnational corporations executives to oversee the programme;

(b) An outreach campaign aimed at mobilizing the entrepreneurial talent in South Africa and identifying the most promising black entrepreneurs;

(c) Training workshops to strengthen entrepreneurial and managerial talents and to build the skills needed to develop a business plan and operate a small or medium-scale business;

(d) Training of black South African trainers to develop the national capacity in entrepreneurship and management training;

(e) A self-financing support centre to provide follow-up assistance to the new ventures, initiate contacts with the local business community and transnational corporations, and secure technical and financial help;

(f) A management training component, involving workshops and on-the-job training by transnational corporations both in South Africa and in their home countries;

(g) Formation of entrepreneurs' associations to exchange and disseminate information and to stimulate joint ventures among South African entrepreneurs and cross-border ventures with other African entrepreneurs and transnational corporations.

45. Although such a programme would not meet all training needs in South Africa, it could achieve measurable results over time. Efforts could be intensified at the same time as the national training capacity is being developed. South Africans could become trainers in entrepreneurship and management training, and self-sustaining infrastructure could be in place to carry on the programme and extend it to all regions of the country. In addition, it could play a catalytic role by mobilizing local resources and enabling local training organizations to improve and expand their own activities in entrepreneurship and management development at the appropriate time.

46. To sum up, in a post-apartheid South Africa, transnational corporations could contribute to the empowerment of black South Africans by building up professional and managerial cadres and enhancing entrepreneurial involvement in the private sector. Guidelines for affirmative action in the field of training should foster the efforts and expenditures of transnational corporations on programmes which would enable a greater portion of the black population to play a role in mainstream economic development. In addition, by focusing on management and entrepreneurship training programmes, transnational corporations would be in the best position to channel their expertise and technical and managerial know-how, as well as funding.

47. A feasibility study of a comprehensive training programme for black South Africans would need to determine further the role of transnational corporations in training and should also take into account the training requirements of the southern African region. To that end, a fact-finding mission or on-site hearings could be undertaken at the appropriate time to define the scope and nature of corporate responsibility programmes, with the participation of black leaders, trade unions, the local business community, transnational corporations and other non-governmental and other international organizations active in this field.

## Notes

1/ Commonwealth News Release, "Abuja Commitment" (Abuja, 17 May 1990).

2/ Study released in May 1990 by IRRC, The New York Times, 30 June 1990.

3/ Economist Intelligence Unit, Country Profile: South Africa, 1990-1991, p. 28.

4/ Through accession of the German Democratic Republic to the Federal Republic of Germany with effect from 3 October 1990, the two German States have united to form one sovereign State. As from the date of unification, the Federal Republic of Germany acts in the United Nations under the designation of "Germany".

5/ The New York Times, 28 October 1990.

6/ Report of the Special Committee against Apartheid (A/45/22-S/21953, 21 November 1990), p. 55.

7/ The New York Times, 28 October 1990.

8/ "Report of the Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa" (A/45/43-S/21946), p. 12.

9/ Shipping Research Bureau, Coal Monitor, No. 4 (Third quarter, 1990).

10/ Economist Intelligence Unit, Country Report: South Africa, No. 7 (1990), p. 26.

11/ Economist, 17 February 1990, p. 43.

Notes (continued)

12/ Ibid., 10 February 1990, p. 69.

13/ Economist Intelligence Unit, Country Report: South Africa, No. 3 (1990).

14/ Ibid., p. 18.

15/ This section has been prepared in response to action taken by the Commission on Transnational Corporations at its sixteenth session whereby the Secretary-General was requested, inter alia, to undertake a feasibility study for a training programme for black South Africans (E/1990/26, para. 53).

16/ Business Day, 1 November 1990.

17/ Whitney Schneidman, "Black groups eye corporate responsibility", IRRC South African Reporter (December 1990).

18/ James Henry, "No easy way to freedom", Annual Meeting News (Abidjan) (1990).

19/ Quoted by Kennedy Maxwell in his outgoing annual address to the Chamber of Mines in June 1990, in Economist Intelligency Unit, Country Report: South Africa, No. 3 (1990), p. 20.

20/ Financial Times, 10 September 1990.

21/ Bethlehem, Ronald, "The need for change in the South African economy" (26 April 1990).

22/ Financial Times, 10 September 1990.

23/ New Republic, 20 and 27 August 1990.

24/ "Corporate social investment in South Africa", South African Information Exchange Working Paper No. 15 (December 1990).

25/ Cross Times (May 1990).

26/ Linda Herman, "Empowerment through development: the role of affirmative action and management development in the demise of apartheid", Centre for African Management, 1990.

27/ Whitney Schneidman, "American corporations and the transition to a post-apartheid South Africa", IRRC, 1991 (forthcoming).

28/ Cross Times (May 1990).

29/ Financial Times, 26 October 1990.

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